CAPITAL PROJECTS ADVISORY REVIEW BOARD
PROJECT REVIEW COMMITTEE - PANEL
Northwest Carpenters Facility
25120 Pacific Highway South
Kent, Washington
January 28, 2010
9:00 AM

Draft Minutes

MEMBERS PRESENT

Penny Koal, Vice Chair, Department of General Administration
Paul Berry, Harris & Associates
Tom Peterson, Hoffman Construction Co. of WA
Frank Abart, Whatcom County
Fred Tharp, Washington State Department of Transportation (WSDOT)
Dan Chandler, Olympic Associates Company
Mark Scoccolo, SCI Infrastructure, LLC
Eric Smith, University of Washington
Mike Shinn, Shinn Mechanical
Gary Arndt, Parametrix
Miriam Israel-Moses, Rebound A Building Trade Organization
Juan Huey-Ray, Office of Minority and Women's Business Enterprises (OMWBE)
Linneth Riley-Hall, City of Seattle
Peg Staeheli, SvR Design Company

MEMBERS ABSENT

Gary Baldasari, G. Baldasari, LLC

STAFF, GUESTS, PRESENTERS

Gregg Takamura, Port of Seattle
Ross Pouley, URS Corporation
Joe Nessel, Port of Seattle
Nora Huey, Port of Seattle
Bob Davis, Housing Authority of Snohomish County (HASCO)
Marc Estvold, Island Hospital, Anacortes
Janinna Richardson, HASCO
John Jones, Dykeman
Robyn Hofstad, Department of General Administration (GA)
Paul Powell, Port of Seattle
Valerie Gow, Puget Sound Meeting Services
Ralph Graves, Port of Seattle
Andrea De Muro, Port of Seattle
Bob Maruska, Port of Seattle
Jim Brawner, JH Brawner & Company
Ann Schroeder Osterberg, HASCO

Welcome & Introductions

Vice Chair Penny Koal convened a panel of the Capital Projects Advisory Review Board (CPARB) Project Review Committee (PRC) at 9:13 a.m. Everyone present provided self-introductions.

Public Comments

Nory Huey reported her attendance is in support of the Port of Seattle.

Project Application Review for Design Build Port of Seattle

(Panel Chair Paul Berry, Panel Members Frank Abart, Juan Huey-Ray, Miriam Israel-Moses, Mike Shinn, Eric Smith, and Fred Tharp.)

Panel Chair Paul Berry welcomed everyone and outlined the application review process. Panel members and guests provided self-introductions.

Ralph Graves, Capital Development Director, Port of Seattle, introduced team members Joe Nessel, Project Manager, Port of Seattle; Ross Pouley, Vice President, URS; and Gregg Takamura, Resident Engineer, Port of Seattle.

Mr. Graves reported a number of escalators at the Seattle-Tacoma International Airport have reached the end of their life cycle and need replacement. The Port of Seattle is experienced in designing and constructing public works projects involving many large capital programs over several years. The Port's capital program over the next five years exceeds $1 billion. The Port has the necessary experience for alternative public works delivery methods, such as GC/CM, but has never completed a Design-Build (DB) project under the current Revised Code of Washington (RCW). The Port recognizes DB is a different way to deliver a project. The presentation will include information on how the Port plans to supplement the expertise needed for the DB delivery method.

Joe Nessel reported the project includes replacement of 42 existing escalators at the airport. Twenty-six of the escalators are located at the Main Terminal providing access between Ticketing, Lobby, Parking Garage/Sky Bridge, Baggage Claim, and Satellite Transit Station (STS) levels, with the remaining 10 escalators located in the South Satellite connecting Departures, Immigration/Customs, and STS levels. The project also involves the installation of a new escalator in the South Satellite area that will extend from the Customs level and the Departures level to address future capacity.

Mr. Nessel reviewed the project schedule:

- Advertise RFQ — April 2010
- Shortlist and Advertise RFP — May 2010
- Award CM DB Consultant — July 2010
- RFT Evaluation & Selection — October 2010
- Commission Authorization to Award — November 2010
- Award DB Contract — November 2010
- Design/Permitting complete — August 2011
- Construction complete — October 2013

The estimated cost of the project is $55 million. The DB portion is estimated to be between $45 million and $50 million. Financing for the project is included within the Port's capital program at $55 million.

Ross Pouley reported the RCW includes three criteria for utilizing the DB process presented in an either/or fashion. The project qualifies under all three criteria. The design and installation of escalators is highly specialized and the DB methodology is the only effective way to develop the construction methodology for implementing the proposed technology. There are a limited number of product vendors and installers within the industry because the systems include proprietary designs and specific characteristics. The manufacturing, delivery, and installation schedules will determine how rapidly and under what fashion the work can proceed. Overall schedule and shutdowns are critical for airport operations. Having that developed at the time of proposal and collaboration with the Port is critical.

The design is repetitive in nature and an incidental part of the installation. The standard performance specification is the same for all the products and the characteristics related to installation are similar. There is a

high degree of similarity associated with the method of installation. Full design isn't necessary for the developer to complete the work.

Regular interaction with and feedback from facility users and operators during design is not critical to an effective facility design because the escalator technical performance specifications are established by the Port and do not require feedback from facility users.

There are several other benefits to the Port by allowing the Port to evaluate trade-offs of equipment, types of installation, and price and schedule based on qualification basis and terms of the detailed proposal. It will promote competition by ensuring the participation of multiple escalator manufacturers. Manufacturers can structure teams either as general contractors with installers or with the installer as the prime contractor. It will promote innovation as there is an opportunity for the industry and developers to collaborate and determine the best practical way to initiate the project. There will be public benefit to the Port based on the project, such as an opportunity for competitive delivery schedules and solutions, effective pricing and scheduling methodologies, and it's a positive refinement of a technical approach that will benefit the Port on a collaborative basis.

Mr. Nessel reported Ralph Graves is the Managing Director of the Port's Capital Development Division, with overall responsibility for the project. The Aviation Project Management Group, the Central Procurement Office, and the Engineering and Construction Management Groups all report to Mr. Graves. Mr. Nessel said that as the Project Manager for the project, he will have day-to-day overall project management responsibilities through the life of the project, which involves oversight of the project budget, schedule, and reporting requirements. He manages the Port's design consultant, URS Corporation, and closely interacts with the Central Procurement Office during the development of the proposal documents and during the procurement process. He will work closely with the Construction Manager and the Resident Engineer during the design of the DB contract. The Resident Engineer will be the direct point of contact for the Port with the DB contractor. He will work with the Resident Engineer to facilitate the designs reviews. The Port is supplementing staff with DB technical advisors in different areas. This will include DB training for the entire project team. The Port has contracted with Darlene Septelka, Landon Construction Group, to assist in the training. She will focus on the differences between GC/CM, Design Bid Build (DBB), and DB contracting methods and the differences between them and develop effective evaluation criteria as well as managing risks. The training class is scheduled on February 3.

The second area of emphasis for DB is assistance from URS Corporation involving Mr. Pouley and Don Laford, who will supplement the project team's DB experience and provide technical expertise and guidance in the DB contracting method. Both individuals have extensive DB experience locally and nationwide. They will provide input on the 30% design/performance specification development, proposal documents, proposal evaluation criteria, and during construction support. Mr. Pouley will have more oversight and a guidance role with Mr. Laford involved more on a day-to- day basis as necessary during the preparation of the design proposal documents.

The third area is within the Construction Management Group through a technical advisor, who will be on board prior to the beginning of the DB contract and have a significant amount of involvement in the startup and review and setup of the construction management processes, procedures, practices, and staffing assignments. As the project is underway, the involvement of the technical assistance will be less.

URS Corporation is the Port's design firm. The company has been involved in a number of DB projects in the state and nationwide. The project manager and multi-disciplinary team are experienced at the airport and with other Port projects.

Two escalator subconsultants, Lerch Bates and Elevator Consulting Services, are both experienced in DB methodology. Both firms have extensive experience in vertical transportation systems projects. The subconsultants will provide a specific level of specialized expertise in performance specifications, which is typically the method for including escalators in a project. The Port will draw on their experience for this project.

Procurement will be managed by Nora Huey, Director, Central Procurement Office, and Paul Powell, Senior Manager Contract Services. Both individuals have extensive experience in public contracting and procurement and are actively involved in the project.

The Construction Management Team (CMT) includes Janice Zahn, Assistant Engineering Director, who is responsible for construction management for major construction contracts at the Port. She will provide program level oversight for the project. Andrea DeMuro, Construction Manager, will be responsible for the construction management for airport infrastructure projects. Gregg Takamura, Resident Engineer, will have day-to-day responsibility for the management and the performance of the DB contract and will act as the Port's point of contact.

Mr. Takamura reported on a paradigm shift from DBB to DB. The Port needs to be knowledgeable and understand there are risks and rewards for executing a DB project and it needs to plan for it. It's important that the CMT has an active role in developing the RFP document and knowledge and understanding of a DB contract for a DB project. The team needs to be aware that the order of precedence on a DB project is different than a DBB project. As the Resident Engineer, Mr. Takamura said he needs to establish the climate so that DB will be successful. It's important that the construction team exploits the synergies that will come out of the DB entity relative to schedule, quality, and cost. As owners, it's important to dedicate the right resources and efforts in defining the project requirements during the RFP development stage. That will result in less conflict resolution and less time loss during construction. Another risk is the importance of real time scheduling on the project because design and design review is integrated with construction activity and it impacts terminal operations. The CMT has an active role in developing the RFP document. He will work closely with the Project Manager facilitating early participation by all project stakeholders during the early RFP stage and early design stage. Having the knowledge of the contract under the DB process is important. It's important to understand that during review of the documents they must be in conformance with the RFP and with the proposal and not technical compliance with the plans and specs typically occurring on a DBB project. That technical compliance is the bailiwick of the DB team. Normally, during the DBB process, the owner would assume that oversight. The team needs to understand plans and specs are not the contract documents but deliverables and instructions that can change during a project and without necessary modification, which is a significant paradigm shift from DBB.

Finally, quality assurance (QA) staff should be knowledgeable of DB principles, lessons learned, the RFP technical standards, and plans and specs. Mr. Takamura said he needs to establish a positive climate for the project to ensure DB is successful, which will require working as a partnership with the team and all external stakeholders at the Port. The roles and responsibilities will be unique on a DB project and the partnership needs to commit to a fast track, problem solving, and decision-making on issues of design, operational, or logistical challenges at the terminal. QA personnel must be proactive problem solvers and nimble coordinators. There must be rapid, open, and effective communications utilizing IT tools. QA personnel must be open to learning and performing differently within a DB environment.

The Port team is committed to a paradigm shift and making adjustments to the project in construction management processes and emphasizing the involvement in the RFP development and identifying

requirements in the RFP. The Port has committed the resources and effort for developing the RFP and is educating and training the CMT through training. Lastly, the Port is committed to working in a partnership.

Mr. Graves reported the Port believes the project is well suited for DB as well as assisting the Port in establishing experience and expertise in pursuing future DB projects.

Panel Chair Berry invited questions from the panel.

Mike Shinn asked whether all escalators to be changed are of the same brand. Mr. Nessel said all the escalators are the same brand. Mr. Shinn asked about the definition associated with a new escalator versus repair or renewal. Mr. Nessel replied that all the mechanical equipment components will be removed or replaced. Dependent on the method the contractor may propose, there may be a need for new trusses or the equipment can be replaced and fitted to existing trusses. Basically, it entails removal and replacement of the escalator equipment. Mr. Shinn asked whether the project pertains to only escalators or to elevators as well. Mr. Nessel said the project pertains only to escalators. Mr. Shinn asked whether escalators are capable of working in both directions. Mr. Nessel affirmed escalators can operate in both directions.

Miriam Israel-Moses commented that the Port's proposal did not include a breakout in the cost of the escalators. She asked whether there is a breakout of costs in terms of manufacturer and labor costs. Mr. Nessel said the cost for replacement of one escalator is approximately $750,000. The Port is refining cost estimates. The manufacturing cost is greater than installation. Ms. Israel-Moses asked whether the issue of purchasing from within the U.S. has been addressed. Mr. Nessel said the Port is looking at manufacturers from North America. However, there are some components that are manufactured outside the country. Ms. Israel-Moses asked whether the Port has discussed apprenticeship utilization and women and minority owned businesses in the RFP. Mr. Nessel said the RFP will address those issues and small businesses. The Port is working with its Office of Social Responsibility to assist in identifying subcontractor opportunities. It was noted that the RFP will include apprenticeship requirements. Ms. Israel-Moses asked whether there have been any discussions concerning a third party administrator. Mr. Graves replied that the Port is moving away from that model because the project is smaller. The Port is moving toward handling construction management internally. For this project, the goal is gaining DB experience. Ms. Israel-Moses commented that it appears the Port has the necessary qualifications to complete the project. The project is a good model for the DB process.

Eric Smith said he's viewed most of the applications received by the PRC. The Port of Seattle's application is one of the best applications submitted. It's thorough, articulate, responsive to questions, and convincing. It demonstrates an understanding of the CPARB and PRC process. He acknowledged the work of the project team. The presentation was thorough and covered all the elements of what a DB relationship entails. The Port is forthright in its application in that it doesn't have technical DB expertise, but based on the presentation, the Port is taking the next step to provide additional training as well as partnering with DB experts. He asked about the document pertaining to the 30% design. Mr. Nessel said the performance specifications for the escalators will address all the components and what the manufacturer should provide. For 30% design, it will consist of providing information on the location of the escalators and escalator inventory information. As far as the design component, the Port will provide old drawings and parameters of the project environment, such as blackout periods. The RFP document will reference the Port's standards and performance specifications.

Fred Tharp said it's apparent the Port has assembled a team that will eliminate the burden of whether or not the Port will be successful. He asked about the success factors the Port envisions using DB rather than DBB. Mr. Pouley said the major factor is the nature of the trade. Because the vertical transportation industry is very limited and proprietary, it's difficult to know definitive types of scheduling and logistics information on the

front end without having the collaboration of bringing everyone to the table to discuss the approaches that will be used, how the companies and installers will work, and commitments to delivery schedules and resources. It's important to have that collaboration at the beginning. In conventional DBB, that information occurs throughout the process. Because of the nature of the competition, it's a more difficult trade and since the Port is relying on the industry to complete the project, collaboration both on quality and review from a solicitation aspect is very important as well as from the evaluation side of determining the approaches, technology, and pricing. It provides the Port with much more confidence on what the final product will entail.

Mr. Takamura added that during construction management, costs and time will be less than for DBB.

Mr. Juan Huey-Ray encouraged the Port to think outside the box in terms of minority and women business participation. As the industry is very proprietary and specialized, there are limited opportunities that will entail a greater challenge to the Port for ensuring participation opportunities of minority and women business owners. He encouraged the Port to consider those opportunities as it moves forward.

Mr. Graves said the Port's Commission recently adopted a small business resolution that provides clearer guidance as the Port moves forward as an agency. The RFP procurement process enables the Port to include minority and women business participation.

Mr. Shinn asked whether the project falls under a Project Labor Agreement (PLA). Mr. Nessel said at this time there has been no decision. The Port is evaluating that option. Mr. Shinn said the project will likely be successful, but he prefers PLAs because of drug testing and other requirements. It's a better avenue to ensure equitable participation by all parties.

Panel Chair Berry said the discussion appears to be focused on the escalator equipment components while much of the project involves access to the area, control of the area, and continued airport operations. He asked about impacts to infrastructure involving power and infrastructure needs for the structures and the degree of demolition work. Mr. Nessel said the actual installation of the escalator is likely the easiest component of the project. The project will clearly involve constraints that will need to be coordinated. This past year, the Port experienced shut down of escalators and the resulting impacts to operations. The Port is looking at ways to maximize the number of escalators to take off line while keeping the disruption to the airport at a minimum. Part of the technical presentations will include information on how the contractors will work to maintain minimum impacts to operations. Their approach to the project will be very critical.

Panel Chair Berry asked if the Port anticipates that a substantial portion of the evaluation criteria will be on issues other than escalator equipment. Mr. Nessel said the technical approach of the scheduling will be one of the important considerations.

Frank Abart said although he supports the application, he doesn't necessarily agree that the application was as clear, which generated a number of questions. After he initiated a number of contacts in the industry, he quickly discovered how little he knew about the issues versus the knowledge the Port has about the project.

Panel Chair Berry opened the panel for public comments. There were no public comments.

Panel Chair Berry commented on the PRC process and the types of projects that likely would be presented. The PRC likely wasn't anticipating a project proposal similar to the Port's proposal, which benefits the PRC process as a tool to be utilized. It's important that those benefits are clearly defined and pursued in the way the process moves forward in criteria and evaluations and how the Port operates once the contract is in place, and

that the Port operate in the full spirit and form of DB without becoming too specific and too detailed. It's important the Port ensures the design builders deliver the best product at the best price.

Mr. Tharp agreed and added that the Port has an opportunity to recognize best value, which is provided through this opportunity and understands the Port is representing all public agencies as it moves forward. The Port's success of being a good and fair owner in DB will impact other public owners and opportunities to use DB.

Mr. Huey-Ray emphasized his request for the Port to consider creative ways to include minority and women businesses.

Miriam Israel-Moses conveyed that she is hopeful Port officials leave the meeting with the understanding that there is a large group of stakeholders that want the Port to utilize women and minority businesses, and that those businesses are certified by the state. That large constituency is available and the Port should utilize those businesses. Additionally, apprenticeship opportunities are very broad in this particular type of project. She encouraged the Port to take advantage of those opportunities. She supported the use of a PLA. It is critical airport operations are not disturbed during the project. A PLA would facilitate minimum interruptions.

The Panel by consensus approved the Design Build Application for Escalator Replacement/Renew Project at Seattle/Tacoma International Airport by the Port of Seattle.

The meeting was recessed from 10:05 a.m. to 10:31 a.m. for a break.

Project Application Review for GC/CM Housing Authority of Snohomish County
(Panel Chair Penny Koal and Panel Members Gary Arndt, Dan Chandler, Juan Huey-Ray, Tom Peterson, Linneth Riley-Hall, Mark Scoccolo, and Peg Staeheli)

Panel Chair Penny Koal welcomed everyone and outlined the application review process. Panel members and guests provided self-introductions.

Bob Davis, Executive Director, Housing Authority of Snohomish County (HASCO), reported the housing authority was established in 1971 and is a relatively newer agency compared to other housing authorities. Over the years, the authority has established a housing portfolio of 50 projects involving new construction, acquisition, and rehabilitation, as well as managing a 3,000 voucher portfolio for low-income families to live in the private sector throughout Snohomish County. One of the unique elements of the county housing authority is operating within the cities and receiving development approval by those cities for housing developments. The housing authority is experienced in working with local governments on housing proposals.

Mr. Davis introduced Ann Schroeder Osterberg, HASCO Director of Development. Ms. Davis reported Marysville Pointe, located within the City of Marysville, is a 19-unit new construction project. HASCO applied for 2009 American Recovery and Reinvestment Act (ARRA) stimulus funds of $3.3 million. Thirty-five housing authorities in the country received funding awards. It's been many years since HASCO developed new public housing. Because of the $3.3 million award from the U.S. Department of Housing and Urban Development (HUD), there is an extremely short timeframe to obligate and expend the funding. HASCO must start construction on the project by September 2010, or the funding will be recaptured and the project stopped. The City of Marysville supports the project as the City has experienced a high rate of foreclosures. The project is a foreclosed property and through other county funding from the Neighborhood Stabilization Program, additional funds are included towards the project.

Ms. Osterberg reviewed target dates of the project timeline and noted that HASCO is also on a parallel track. The HASCO Board of Directors approved moving forward with GC/CM. HASCO advertised and anticipates having the GC/CM contracted by February 12 for early involvement in design. HASCO is submitting for permits by May 10, with a construction start date in August. Because of the aggressive schedule, potential recapture of federal funds, and the complexity of the project, HASCO is seeking GC/CM approval.

Additionally, because HASCO is required to incorporate green building and sustainability features into the project design, including generating 10% of the project's energy renewably on site, the value engineering aspect of the GC/CM's role in the project allows HASCO to stay within budget while meeting the design requirements of the project. HASCO committed to building a project that is 15% more efficient than the Washington State Energy Code requires. Other features include an array of choices that must be considered within the parameters of the budget and where the GC/CM must be a member of the team during the critical design phase. There are also "Buy America" requirements and there could be conflicts between various federal goals that some of the sustainable green technologies are from other parts of the world that might conflict with requirements to "Buy America." It's important for the GC/CM to become involved early in the process to deal with those issues.

John Jones, Chief Executive Officer, Dykeman, said the application request pertains to funding and scheduling. Funding for the project is complicated with funding from several sources with each requiring different performance criteria. Many of the funding sources are tied to performance criteria and if not achieved, the funding can be withdrawn. Hiring a GC/CM provides HASCO with an opportunity to provide the GC/CM with a complete understanding of the requirements of the project early in the process. The GC/CM can then plan and organize to ensure the funding sources remain intact. The funding is also tied to green features. HASCO would be relying on the GC/CM to help facilitate critical choices affecting cost and availability, assist in balancing green requirements with the ARRA mandate to "Buy America." Having a GC/CM on board earlier will help HASCO identify problems earlier and develop some alternative choices, and if not, apply for a waiver early on without impacting the schedule.

Mr. Jones noted that the bidding climate is unusual with many companies bidding for public contracts. Some of the contractors have never completed public projects. The same condition applies to subcontractors. Many of the estimates are between 15% and 20% under the bid and some of those contractors are buying the work at a loss to keep work in place. Selecting the GC/CM will enable HASCO to select the right firm with the desirable qualities the project needs for successful conclusion. The GC/CM can also assist in assessing qualifications and prequalifying some of the subcontractors. This will ensure a quality project that is completed within the timeframe. He added that it will take one project at a time to help the nation overcome the current downfall in the economy through mutual reliance and work. The GC/CM will help to ensure that type of success for the project.

Ms. Osterberg said the third reason for the critical schedule is the need for a GC/CM during the design phase followed by the complex and technical project environment related to multiple funding sources (HUD, ARRA, other federal funds, and tax credit equity) and the Administration's goals to outreach to Section 3 firms and employ residents, all of which, require a GC/CM with the size and technical abilities to help achieve those goals.

Ms. Osterberg said the public benefit includes fiscal benefits of having early cost estimates available to HASCO based on the current bidding climate during the design phase, value engineering to ensure that the choices are informed by the realities of the costs, the critical timeline, and the risk of HUD recapture.

Ms. Osterberg reviewed the project team and experience levels. Dykeman Architects is the project architect and has sustainable LEED qualifications on staff and will be the owner representative during construction. Other team members include Jim Brawner, JH Brawner & Company, serving as the financial and development consultant for the project. K&L Gates is HASCO's construction contract counsel and prepared the construction documents and will advise throughout the process. The construction firms that were not shortlisted were requested to submit bids during the Phase 2 RFQ process.

Ms. Osterberg reviewed relevant construction experience of the project management team, which includes owning and managing over 2,000 units and acquisition and rehabilitation projects where HASCO served as the construction manager or at other times acted as the general contractor. HASCO has successfully completed two projects using the GC/CM contracting method involving the 157-unit Markland Woods condominium phased rehabilitation project that began construction shortly after 9/11, and a large renovation project of 465 units at four different properties. Ms. Osterberg reported she has been with HASCO for 18 years and has 30 years experience in the housing development arena. Glenn Hyldahl is the project manager and the owner's representative working with the architect through construction. He was involved in HASCO's most recent GC/CM project.

Jim Brawner said he's represented HASCO over the last 15 years and has been involved in five different GC/CM projects involving King County Housing Authority, YWCA, and HASCO. His main role in the GC/CM process is an upfront role is planning the scope of the GC/CM and negotiating and working with the attorneys on the design of the GC/CM contract.

Ms. Osterberg said HASCO believes it possesses the necessary experience in GC/CM projects and that a GC/CM is critical for the Marysville Pointe project.

Panel Chair Koal opened the panel discussion.

Tom Peterson asked about the timing associated with receiving the HUD award. Ms. Osterberg reported HASCO received notification in late fall 2009.

Linneth Riley-Hall said she's struggling with the request because it appears to be driven by funding stipulations that include very strict requirements. She asked how HASCO approached the project when notified of the funding in the fall. The issue is whether the project should be a GC/CM method. Ms. Osterberg replied that the overall goal of stimulus funding is for construction ready projects. It appears the inference is that HASCO should have applied earlier or lumped sum bid the project. However, because of the green requirements and a number of choices involving solar panels for electrical heating and other technologies related to hot water heating, other building envelop options, pervious pavement, and other choices, the project must be at a higher standard and at a level of green that is performance standard driven. It's not a straight forward process. Now that HASCO is under contract with the architect and beginning design, HASCO needs to have the contractor as part of the team to make the decisions that are necessary to carry out the project.

Mark Scoccolo asked Mr. Brawner to explain the role of the GC/CM in managing the various funding mechanisms and the GC/CM scope of work. Mr. Brawner said as a financial development consultant, he favors involving a GC/CM upfront because one of the most important components is construction costs. Mr. Brawner advised that he's contacted GC/CMs to work through construction cost estimates. It's very important as a financial consultant to give proper advice to the owners relating to implementation activities. In the design aspect, it's important to stay within the budget he's established from a financial modeling standpoint. It's also important to work with the GC/CM upfront to ensure actions are occurring correctly during the design phase to ascertain immediately the cost impact to inform the client. Give and take during that process is

critical because the GC/CM can provide that information for running the cost model to determine whether it's a viable cost option. It's important for the GC/CM to be on board early to ensure the project remains within budget parameters.

Ms. Osterberg reported HASCO was notified in late fall by HUD and staff immediately attended training by HUD. Dykeman was involved by the end of December to begin the design process. It has been a full-time effort since HASCO notified the agency of the funding award. There are nuances that even HUD has not contended with as each project is different. It may appear that there was time, but HASCO has been involved each day to manage the process and keep ahead of the next step. Mr. Brawner was immediately contacted.

Mr. Scoccolo acknowledged that there is plenty of upfront work involved to line up the funding, obtain permits, and satisfy the requirements of the city and the county. He asked how the GC/CM will assist HASCO in that aspect. It appears that much of the process involves HASCO rather than the GC/CM. Ms. Osterberg said green requirements involve choices that must be made and HASCO cannot make them in a vacuum of not knowing costs. Mr. Jones added that there are several checklists that the agency must use for sustainable practices. One short list of focus involves 45 different items. It would be helpful to have a GC/CM involved early to help the agency cost, evaluate, and select the options that are within the budget. As an architectural firm, it's possible for the firm to assist in those tasks; however, the schedule is tight and the GC/CM would greatly facilitate maintaining the schedule. Mr. Brawner said those functions need to be immediate, which speaks to the need for the contractor to be on board at the front end for bidding and exchange of pricing information. The information must be valuable market information that is received on a daily basis. Mr. Jones said the market is very volatile with pricing differences of up to 25%. An owner is confronted with choices when prices are presented. That's the difference of having the pulse on bidding everyday as a contractor versus a design team focused on the design elements.

Peg Staeheli said the PRC is struggling with the size of the project. The project is a public job using public funds. That's the purpose of the PRC and members must be prepared to justify why a public project doesn't use a public bid process. The project is small and the issue is why the project cannot use the public bid process. Currently, the information is insufficient to determine whether GC/CM is the appropriate method. The answer at this point for the need for the GC/CM is not sufficient because it's not the basis of the criteria. She asked whether mechanical and electrical consultants are included on the design team. Ms. Osterberg advised that mechanical and electrical consultants have been hired. Ms. Staeheli said the issue of the bid climate and the team's explanation of its importance is another factor. She asked how the general contractors were shortlisted, what were the criteria, and how will it be applied to the subcontractors, as mechanical and electrical are sub-bids. She said she's not sure the order as sequenced is accurate as the project only consists of 19 units and green features, many of which are not new technologies.

Ms. Osterberg said her understanding of the subcontractor bidding is handled by the GC/CM as an agent for HASCO. Sub-bid packages are bid and are how the agency is packaging it once the decisions have been made. Because of the sustainability commitments, the owners will be provided with an array of options by various subconsultants working with Dykeman, such as solar panels or solar hot water. Other features selected during the design phase will need to be factored on initial upfront costs and long-term maintenance costs. Those are critical decisions that will need to be made where the expertise of the contractor and knowledge of costs and the ability to obtain preliminary estimates are critical to finalize the plans. In traditional lump sum bidding, all those decisions along with a scope of work with a set of alternates that are bid would occur at the end of that process regardless of whether it would be within the confines of the budget. There is a huge risk of not knowing the true projects costs. The goal is to responsibly pursue the project so that sufficient information is obtained early so the agency is not placed in a position of having to return the funding because the bids were too high. Lump sum bidding typically occurs at the end of the process. There will be many decisions delayed

because critical information was not available. The combination of the date HUD will recapture the funds and the decisions and choices the agency needs to make as it goes through the design phase are the most important reasons for requesting the GC/CM methodology.

Ms. Staeheli asked about the qualifications for short-listing the general contractors. Ms. Osterberg reported the agency reviewed similar project history, history of GC/CM projects, history of sustainability design features, Section 3 ability involving federal requirements for hiring low-income residents and businesses within the community, ability to adhere to both state and federal minimum wage requirements, and a series of criteria related to the contractor's experience and interest in the project. A number of firms submitted RFQs that were evaluated and shortlisted.

Mr. Peterson said another determination is the appropriate knowledge and experience with GC/CM. The previous project was completed under the older RCW. Since then, there are new requirements under the statute. He asked who the agency is relying on for that expertise. Ms. Osterberg said the agency is relying on several consultants. K&L Gates prepared the construction documents and advises the agency through the contract negotiations. Dykeman has GC/CM experience on other projects and will act as the owner's representative during construction and during design. Mr. Brawner, the financing and development consultant, has experience with GC/CM as well as the experience by HASCO staff. There are various members of the team who all have GC/CM experience. Mr. Jones added that the company also recently completed two GC/CM successful projects.

Mr. Peterson referred to the demolition of the structures and asked whether that will be under the responsibility of the GC/CM. Ms. Osterberg advised that at this point, it's unknown as there are some hazardous materials located on site. The agency will have the option of including it under the GC/CM. Mr. Peterson pointed out that the status of the MACC is revealed after the demolition but before the subcontractor bidding. Under the new statute, the GC/CM is allowed to bid the work out at 90% complete before establishing the MACC. The schedule doesn't match the new statute. Ms. Osterberg said she understands that the end point of the bidding process is to establish the MACC. That will be critical component to establish the MACC.

Panel Chair Koal asked about the status of the project's design. Mr. Jones said schematic design in nearly completed.

Dan Chandler said it appears the critical issue is schedule and deadlines. He questioned the deadlines associated with lump sum bidding opposed to the GC/CM process. He asked whether it would be possible to secure a hard bid in July and have a contractor under contract by September. He asked if it would be possible to hard bid prices in June if the project is hard bid. Ms. Osterberg replied that the submittal of permits to the City is scheduled in May. It depends on the timeline for securing the permits. The bid will not be released until all the projects components are known. Because of HUD financing, which is referred to as mixed finance closing; HUD requires a number of documents ready for review 60 days before closing. What must occur prior to September involves knowing who the general contractor will be and developing that contract. HASCO doesn't believe it's still an option for the agency to lump sum bid the project and still meet all HUD requirements.

Mr. Brawner said it would be difficult to stay within the timeframe because he would be looking for the architect to pursue third-party construction estimators during that process to ensure the projects remains within the budget parameters. It would take more time and would be difficult to undertake. If there is no GC/CM, a third party estimator would need to be hired by the architect to spend time to complete the estimating during that process. That would be a more difficult process.

Mr. Chandler said it appears the agency needs a contract ready to execute for $3.8 million or less by September. It appears there could be time by using the lump sum process. It appears the HACSO wants the assurance of the number, which won't occur either under the GC/CM or the MACC until July either way. Mr. Brawner said the GC/CM will provide the agency with a much stronger position in March rather than later. There are other critical financing requirements under HUD, such as leveraging and certain ratios that must be attained relating to costs. There are other factors that must be tracked as well.

Ms. Staeheli suggested clarifying for the PRC what the timeline is because it's not reflected in the application. It appears the critical date for HUD must be earlier than September. She asked for a better idea on the deadline for the package. Ms. Osterberg agreed that it's a complicated schedule and that each step wasn't included in the application. The recapture point is September 22. What must occur is a mixed finance closing that involves the signing of the GC/CM contract prior to that. Sixty days prior to that deadline, all documents must be submitted to HUD for its internal review. That is a critical point that wasn't presented during the presentation. She added she's unsure if that information was included in the application as well. Information in the application reflects the design and construction process and critical dates. There are other layers involved in the process, such as what will each funder need, and at what point, to reach final conclusion on funding.

Panel Chair Koal said it appears establishment of the MACC and the GC/CM in June is a drop-dead date because that is the date materials must be prepared for submission to HUD in September. Ms. Osterberg described the requirements for HUD. At that point, the costs must generally be firm and on target so HUD can determine if the project is feasible to move forward. Part of that is having some certainty of construction contract costs. If the agency were to go out to public bid, there wouldn't be time to determine those costs.

Mr. Peterson asked if the RFQ included relevant GC/CM experience under the current law. Ms. Osterberg advised that the RFQ did not specifically ask for experience under the current statute. The applicants provided details on specific projects and the characteristics of those projects. She said she believes three of the four firms have GC/CM experience but would need to check the proposals to verify the information.

Ms. Staeheli said part of the PRC's responsibility is guiding agencies on selection of the GC/CM, which appears to already be underway by the agency. The situation is somewhat awkward. Ms. Osterberg replied that if more time had been available, the agency would have appeared before the PRC at the front-end of the process. The agency understands that the review is necessary under state law, but it was necessary for the agency to proceed on parallel tracks.

Panel Chair Koal asked what the agency will do if the application is rejected for GC/CM. Ms. Osterberg advised that the agency would need to make some decisions. In the funding, there is pre-exemption relative to state and local laws. From a legal standpoint, there is a question as to whether the application process is necessary. However, the agency also knows that the Legislature established the CPARB/PRC and from the state's standpoint PRC's approval is required. HUD's Notice of Funding Availability (NOFA) includes a federal pre-exemption, but the agency prefers not utilizing that pre-exemption if possible.

Panel Chair Koal thanked the applicants for the presentation and proceeded to the panel's discussion.

Mr. Peterson commented on the conflict based on his experience with GC/CM. There are several concerns involving the size of the project and whether a GC/CM is needed. Additionally, as described by the applicants, except for some green and funding requirements, the project appears to be a fairly simple project. He credited the agency for appearing before the PRC as other housing authorities have ignored the process. Given the bidding climate, the agency will likely receive substantially lower bids. Whether the contractor can complete

the job is another issue whereas under a GC/CM is would be guaranteed. GC/CM is a public bid process. However, that's not the issue. Mr. Peterson said he has concerns about the timing and the selection of the GC/CM who has the ability to work through the new laws and the costing issues.

Mr. Chandler said he's also conflicted and although a fan of GC/CM as well, if there were small contractors present they would be unhappy with the contract awarded to a large contractor. That's one of the reasons for the PRC to consider those issues. It is incumbent upon the applicant to convince the PRC. He said he's aware housing authorities are different; however, it is the committee's responsibility to interpret the statute and whether it provide benefits. In terms of the complexity of estimating, the argument is not justified as it's a fairly simple project and there are many good estimators in the market. The shortlist of contractors could serve as consultants and could provide cost estimates. Frankly, the GC/CM estimators are no more experienced than estimators because of the current market. The likelihood of the estimated cost coming under budget is good in the current economy. It appears the applicant would be capable of having the project designed and bid within the timeframe.

Ms. Staeheli commented that she's experienced in working on HUD projects and has been involved in the financing side and other related HUD deadlines. It appears the issue primarily concerns funding and developing the necessary paperwork, which might not be apparent to other members. It is the applicant's responsibility to outline how critical components are developed. Technically and design wise, the project doesn't qualify for GC/CM. However, there is a funding issue involving the paperwork that wasn't adequately documented. Given the June deadline, it's likely the GC/CM process wouldn't assist in meeting the deadlines.

Mr. Shinn agreed and suggested the agency should change its approach to meet the deadlines. A GC/CM might provide quicker estimates, but there are plenty of contractors that can provide good estimates. The agency has a lot of work to complete on its end that doesn't involve the contractor.

Linneth Riley-Hall agreed as well. The schedule is more aggressive than complex. The funding and the green requirements are the main issues. Including responsibility pre-qualification criteria for green requirements for contractors would likely solve that problem. Prevailing wages and requirements under the Davis-Bacon Act are all required regardless if the project is GC/CM or standard. She said she is also struggling with the issue.

Juan Huey Ray said his particular focus doesn't necessary relate to the statute for GC/CM and involvement of minority and women-owned businesses, it relates more to the fact that it's unlikely that at this point in time a GC/CM could help resolve the issues with respect to the schedule. The agency needs some good numbers and whether a GC/CM would provide better numbers than another estimator in today's economy is not likely.

Gary Arndt said it basically comes down to the design and the architects stepping up and completing the work.

Panel Chair Koal agreed that GC/CM estimators are not necessarily more accurate than other estimators. She's had some experiences where the GC/CM's estimates were off.

Panel Chair Koal called for a vote of panel members for approval or disapproval of the application.

Linneth Riley-Hall – No
Juan Huey-Ray – No
Mark Scoccolo– No
Tom Peterson – No
Dan Chandler – No
Gary Arndt – No

Peg Staeheli - No
Penny Koal – No

Panel Chair Koal said regretfully, the PRC does not believe the project meets the requirements for GC/CM and does not approve the application by HASCO for GC/CM. She advised the applicants on the appeal process.

Adjournment
Tom Peterson moved, seconded by Peg Staeheli, to adjourn the meeting at 11:44 a.m. Motion carried.

Prepared by Valerie Gow, Recording Secretary/President
Puget Sound Meeting Services